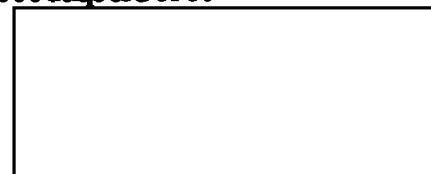


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Central Intelligence

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National Intelligence Daily (Cable)

29 November 1978

State Dept. review completed

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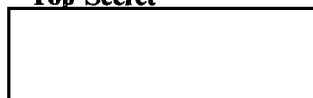
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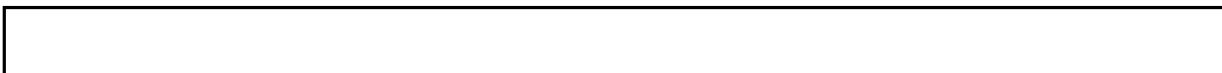
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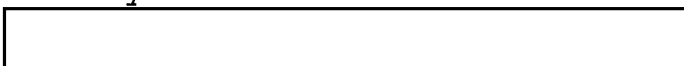


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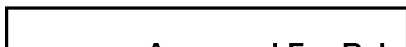
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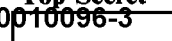
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ROMANIA: Warsaw Pact Relations

[redacted] Romanian President Ceausescu, in pointed defiance of the USSR, has publicly disclosed details concerning last week's Warsaw Pact summit in Moscow and thereby seriously breached Pact confidentiality. Press reports that all Warsaw Pact countries called home their ambassadors from Bucharest yesterday proved unfounded, and the USSR thus far has taken no overt measures against Romania. The Soviets, however, are doubtless concerned that Ceausescu will reveal more during a major foreign policy speech on Friday and that he may announce an initiative of his own.

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[redacted] In several explicit speeches since his return to Bucharest, Ceausescu has stressed that he must alleviate popular "concern" over the Romanian delegation's role at the summit. He hinted that he had refused to sign a declaration that would increase East European military budgets and implied that he had defied Soviet pressure to alter Warsaw Pact command arrangements in a way that would give the Soviets greater control over Romanian forces.

[redacted] //Although Ceausescu did not say so, Romania was presumably responsible for the fact that the published summit declaration failed to address the USSR's problems with China. Ceausescu also refused to sign a separate declaration that condemned the Camp David accords.//

[redacted] Ceausescu stated his defense of the Romanian position in terms that make it difficult for the other Warsaw Pact members to respond effectively. He adroitly used language that closely parallels the themes of the Pact's joint declaration, and he may believe that his stand enjoys some support elsewhere in Eastern Europe. A Romanian diplomat has reported, for example, that the East Germans also did not favor increased defense spending.

[redacted] //Ceausescu appears for the most part to be on the defensive and is attempting to dissociate Romania from Soviet initiatives on military issues that

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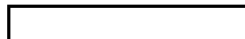


would suggest his country had retreated from the independent policies he has managed to establish in recent years. Ceausescu may also have more in mind. He may calculate that--with the USSR preoccupied with numerous foreign policy issues and run by an elderly leadership whose will to bring Romania to heel is questionable--the time is propitious to make a bid to reduce still further Romania's military collaboration with other Pact members.//


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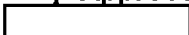
 //Ceausescu is probably banking on the fact that any overt Soviet response to his disclosures, short of a flat denial of any effort to increase East European military contributions, would be embarrassing. He is probably also aware of differences within the Soviet leadership over the wisdom of calling for greater East European defense expenditures, because this would aggravate economic and political problems with which Moscow would have to contend.//

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 //The USSR's efforts to press Romania on Warsaw Pact issues is in large measure a response to Romania's tilt toward China as a counter to the USSR. The Soviets may feel that Ceausescu went too far in September, when he publicly promised to strengthen his country's military cooperation with all Communist states, implicitly including China. This statement was in direct defiance of the USSR and was probably one of the main reasons for Foreign Minister Gromyko's trip to Bucharest in October. Gromyko is reported to have reproached the Romanians for bringing Chinese influence into the Balkans--a reference to Chairman Hua Kuo-feng's visit to Romania last summer.//

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[redacted] //Should they wish to retaliate against the Romanians, the Soviets may resort to rump meetings of the Warsaw Pact in order to emphasize Romania's vulnerability and isolation. The USSR used a similar tactic against Czechoslovakia in 1968.//

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[redacted] //The Soviets may also apply economic pressure. The USSR could, as it has in the past, restrict its exports of iron ore and coking coal--Romania's two most important imports from the USSR--and it could also delay or cut off the delivery of natural gas to Romania through the recently completed Orenburg pipeline.//

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[redacted] //Military pressure is less likely at this juncture but is still possible. The Soviets could hold military maneuvers near the Romanian border--ostensibly for the purpose of training--in order to keep Ceausescu off balance, or they could overfly Romanian territory from the Black Sea.//

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[REDACTED]

ISRAEL: Arab Trends after Baghdad

[REDACTED] Analysts of Israel's Foreign and Defense Ministries attribute the stiffening in Egyptian President Sadat's negotiating position on the linkage question primarily to his chagrin over the results of the Baghdad summit. Nevertheless, the Israelis do not expect that Arab opposition will deter Sadat from concluding a peace treaty and contend that his room for maneuver has not been seriously affected.

[REDACTED] The Israeli analysis suggests that the Begin government sees no reason at present to make concessions to Sadat. The Israelis, in fact, believe that Sadat still expects that the Saudis and other major Arab leaders will eventually reconcile themselves to an Egyptian settlement with Israel.

[REDACTED] In recent conversations with officials of the US Embassy in Tel Aviv, Israeli officials also expressed doubt that moderate Arab states are really prepared to apply sanctions against Egypt in the event of a peace treaty with Israel. The Israelis anticipate that the Saudis will go to great lengths to head off serious attempts to punish Sadat.

[REDACTED] In the Israelis' opinion, improvement in Syrian-Iraqi relations and the troubles in Iran have made the Saudis fearful of a new wave of Arab radicalism. The Israelis expect that the Saudis will conclude that they cannot now afford poor relations with Cairo and consequently will mend their fences with Sadat.

[REDACTED] The Israeli analysts differ on the summit's impact on Lebanon. The Foreign Ministry analysts doubt that Syria's improved relations with Iraq will lead it to pursue a more aggressive policy in Lebanon. The military analysts take a worst-case view and speculate that the Syrians might now feel they have enough latitude to undertake a more assertive approach to the Maronite militias. [REDACTED]

[REDACTED]

USSR-IRAN-US: Relations and Policy

25X1 [] *The USSR has again publicly indicated its anxiety about possible US intervention in Iran in support of the Shah and has reemphasized that Iran's internal affairs must be decided only by Iranians.*

25X1 [] //Moscow domestic radio, during its coverage of Senator Byrd's two-day visit to Iran, restated the concern that General Secretary Brezhnev expressed in an interview on 18 November. The radio reported that the US press recently hinted that the US might give military aid or even send troops to suppress disturbances in Iran. Stating that Senator Byrd had stressed US support for Iran, the radio added that this clearly meant support for the "present Iranian regime."//

25X1 [] //This phrasing suggests a low-key move to distance the USSR from the Shah and is consistent with other recent Soviet attempts to provide a hedge against the Shah's possible fall.

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25X1 [] //The October issue of the magazine *Problems of Peace and Socialism* also contained an interview with Iranian Tudeh (Communist) Party leader Eskandari. It praised the efforts of the religious side of the anti-Shah movement and generally supported the stance of Ayatollah Khomeini, apparently in an effort to protect the USSR should these forces come to power in Iran.//

25X1 [] The Soviets continue, however, to be cautious when reporting Iranian developments and to avoid any direct criticism of the Shah.

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[REDACTED]

ETHIOPIA: The Fall of Keren

[REDACTED] *Ethiopian forces on Monday moved into Keren--the last major town held by the Eritrean rebels--after heavy fighting. Forces of the Eritrean People's Liberation Front are withdrawing north, and government forces have been ordered to regroup and pursue them.*

[REDACTED] The fall of Keren places all major Eritrean cities, towns, and lines of communication under Ethiopian Government control--however tenuous--and enhances the regime's hand in any peace negotiations. It may also permit Chairman Mengistu to move some combat forces back to their original base in the Ogaden, where they are sorely needed to counter intensified activity by pro-Somalia guerrilla forces.

[REDACTED] The Eritrean rebels would appear to have two basic options, which are not mutually exclusive: retire to the hills and continue the insurgency, assuming continued Sudanese and other Arab support; and enter negotiations with the Ethiopians.

[REDACTED] The loss of Keren is a serious blow to rebel morale, but the insurgents do not appear to have suffered major casualties. They have characterized their retreat from Keren as a "strategic withdrawal," presumably intended to permit a husbanding of forces in preparation for protracted guerrilla warfare.

[REDACTED] //It is possible that the fall of Keren will give major new impetus to the efforts of the principal supporters of both the Eritreans and the Ethiopians to facilitate negotiations. Guerrilla disarray, however, will make it more difficult than ever for the Sudanese or other principal Eritrean patrons to persuade their clients to forge a unified negotiating front. It is even possible that individual guerrilla factions, claiming to speak for all Eritreans, will attempt to negotiate their own independent settlement with the Ethiopians.//

[REDACTED] //Whatever the case, there is still no hard evidence that any of the guerrilla groups is willing to settle for less than complete self-determination for Eritrea--a condition totally unacceptable to Addis Ababa.//

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BRAZIL: Post-Election Report

[REDACTED] About 80 percent of the votes from Brazil's congressional election this month have been counted, and the government party appears certain to retain control of both houses, although by reduced margins. The impressive showing of the opposition party--it leads in total popular vote nationwide--is a further indication of popular discontent with military rule and seems likely to make the new congress far bolder than any in recent years.

[REDACTED] Final results may not be available for some time, especially from the more remote states, but it is almost certain that the government will hold about 40 of the 67 Senate seats and about 220 in the 420-member Chamber of Deputies. This means, however, that the government will lose four or five seats in the Senate and that its margin in the Chamber will be halved.

[REDACTED] It is now clear that President-elect Figueiredo will begin next March what is sure to be a trying term of office without the added complication of a lower house controlled by the opposition. This was considered a serious possibility before the voting. The government, which is virtually certain to proceed with plans to restructure the party system, is now likely to make less drastic changes than it would have if the opposition had won control of the lower house. Military officers critical of plans by President Geisel and Figueiredo to liberalize the regime are now likely to feel more confident of the government's ability to control political developments.

[REDACTED] The election results are nonetheless a hollow victory, something top progovernment party members have already publicly acknowledged. The opposition's impressive performance continues a trend that began several years ago and has grown stronger in spite of formidable government harassment on the one hand and still-unfulfilled promises of liberalization on the other. The opposition's growing strength apparently prompted the regime simply to appoint one-third of the senators and to choose all new state governors indirectly, thereby avoiding popular participation.

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[] The new congress will contain a sizable number of left-leaning nationalists--most from urbanized, economically advanced regions--who have not been afraid in the past to attack the government on a broad range of issues. The military regime has come to rely increasingly for its support on relatively backward, rural areas. The government has said repeatedly that it could more easily continue to liberalize if it retained a majority in congress, but the stage is clearly set for potentially troubling challenges from an increasingly assertive congress. []

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POLAND: Economic Options Narrow

25X1 [REDACTED] //The Polish leadership faces rapidly narrowing options in dealing with its serious hard currency payments problems. Exports to the West are sluggish and are expected to remain so. Continuing sharp cuts in imports of industrial materials are hampering economic growth and production of export goods. Uncertain economic conditions are threatening to precipitate social unrest.//

25X1 [REDACTED] //Poland has managed to cut its deficit with the West, principally by curbing imports, in spite of the increasing difficulty it has encountered in sustaining its export drive in Western markets. The current account deficit is likely to fall to \$2 billion this year. Debt service payments continue to soar, however, and private creditors are becoming increasingly cautious in lending to Poland.//

25X1 [REDACTED] //The cutbacks in imports of industrial materials appear to be contributing to a drop in the growth of industrial production from 8 percent in 1977 to an expected 6 percent this year. Further import cutbacks are planned for next year, and industrial production is slated to grow by only 5 percent.//

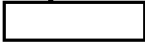
25X1 [REDACTED] //As part of its import-reduction drive, Poland until recently had imported no meat this year and has in fact expanded meat exports in order to gain hard currency and hold on to hard-won Western markets. The regime reportedly is now buying some beef abroad to help build up Christmas supplies and to ease consumer complaints. Uncertain economic conditions continue to keep the public mood on edge. Sharp disagreement also exists within the Communist party over party leader Gierek's policy of further cutbacks in imports, although this controversy does not appear to threaten Gierek's position.//

25X1 [REDACTED] //The government nonetheless apparently intends to expand its austerity program, and a Polish planning official recently stated that his country may require "a political commitment of aid"--in the form of reduced trade barriers and financial credits--from the


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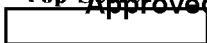


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West in order to avoid import cuts so severe as to disrupt the economy and precipitate serious consumer reaction. Poland is now seeking a large long-term balance-of-payments loan from Western banks. If such a credit is not forthcoming, Warsaw may well have to seek a re-scheduling of part of its debt.  //

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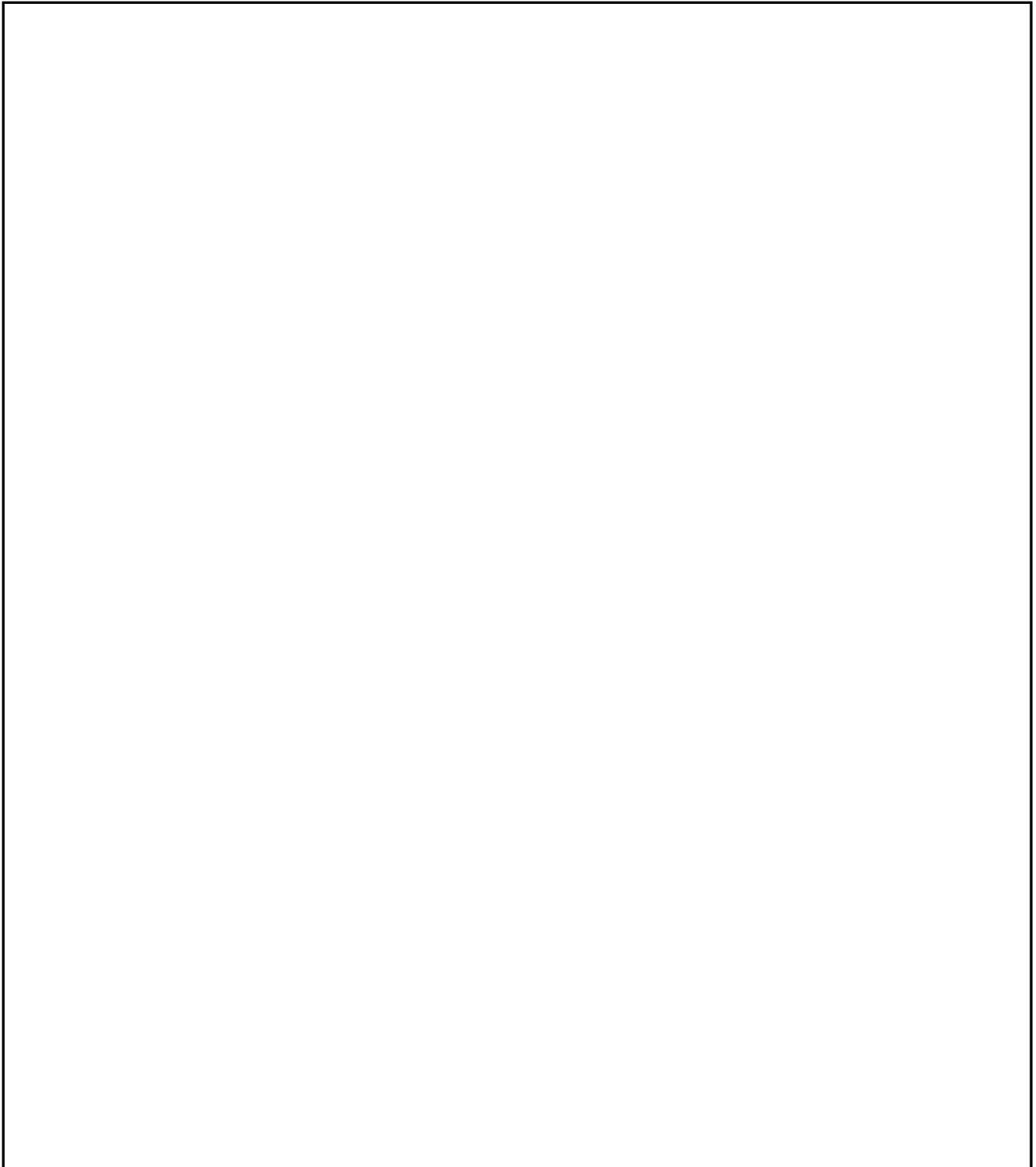


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BRIEFS



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UK

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[] //Britain's Labor government decided yesterday to impose sanctions against the Ford Motor Company for breaching the 5-percent pay guideline. Ford workers voted last week to accept the firm's offer of a 17-percent pay increase and to end their nine-week-old strike.//

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[] //Official sources say the sanctions against Ford will involve a general ban on new purchases of Ford vehicles by the central government through next July and cancellation of some existing contracts. In addition, the UK will refrain from offering Ford any new financial assistance, export credits, or employment subsidies.//

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[] //Total Ford sales to the public sector now amount to \$200 million annually. []

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France

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[] The replacement of Foreign Minister de Guiringaud by Elysee Secretary General Jean Francois-Poncet, which is expected imminently, reflects President Giscard's desire to place one of his closest confidants at the head of the Foreign Ministry as France assumes the presidency of the European Community in January. The appointment will reinforce the personal imprint of Giscard on the foreign policy of his administration.

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[] Francois-Poncet, who was educated partially in the US, has been both a businessman and a diplomat. His political orientation is center-left, and he has maintained discreet contacts with the Socialists. Francois-Poncet is also noted for his pro-European views, and his appointment will rekindle some Gaullist fears about Giscard's true intentions concerning the European Parliament; the Gaullists worry Giscard may eventually agree to an extension of the body's powers. The appointment will also heighten Gaullist concern that Giscard is striving for an eventual centrist majority excluding them. []

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Turkey

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[REDACTED] //A criminal court in Ankara last week banned the principal rightist group involved in the current wave of domestic violence--the National Action Party's youth wing known as the "Idealist Hearths." The public prosecutor requested the ban, but the initiative almost certainly came from Prime Minister Ecevit.

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[REDACTED] //Neither the Action Party nor other far-right groups have reacted yet, but party chairman Turkes, who recently had a vitriolic exchange with Ecevit on the issue of domestic violence, will probably criticize both the court and the government.//

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[REDACTED] //Leftist extremists will probably remain active, and rightist extremists could react by targeting government officials. If this happens, there will be new calls for martial law, a move that both Ecevit and the military are reluctant to make.

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